

AGENDA FOR TASK FORCE ON EARLY RETIREMENT

PROBLEM: To Develop an Early Retirement Program for CIA

I. An "Early Retirement Program" Defined

For our purposes, an early retirement program would be one in which the Director under certain circumstances could retire employees beginning at age 50 or with 25 years of service with immediate annuities, without an annuity rate reduction for years under age 60. The benefits under this program should be sufficient to maintain the reputation of the Agency as a desirable employer and intelligence work as an attractive career field, notwithstanding the establishment of a positive program to retire an undetermined proportion of the employee body prior to completion of a normal career span. ✓

II. Employees Covered

Certain employees within two distinct categories would be eligible for retirement under an early retirement program:

Category A - Those employees whose careers have involved specializing in the conduct or direct support of clandestine operations in foreign countries.

Category B - Those employees who (a) are in positions which directly influence policy or operations, or (b) perform critical evaluation functions, or (c) perform key technical functions.

III. Justification for Early Retirement - Category A

The maintenance of a relatively young work force among our operational personnel engaged in clandestine activity overseas is essential to the

mission of CIA. The following factors are pertinent to this conclusion:

A. Physical and Mental Work Demands

The effectiveness of our ~~clandestine~~ operations overseas depends in large measure upon personnel having the highest degree of vigor, resilience, adaptability, energy, aggressiveness, vitality, fearlessness, and endurance. These traits are normally found in youthful individuals and tend to deteriorate with age. ^{Overseas operators} ~~The work of clandestine operations personnel~~ ^{are} is characterized by uneven and uncertain hours of work, duty in unhealthy locations with often less than adequate medical facilities, and arduous, demanding, and occasionally hazardous assignments in which employees become a direct target for activities of the opposition ^{and} susceptible to immediate attack or seizure in the event of war or civil disturbance. These conditions combine frequently to lead to physical and mental exhaustion at an age much lower than is normally the case for those engaged in more sedentary activity. The physical and mental requirements of most of the operational positions overseas are such that they cannot be filled by older men. A full career leading to retirement at age 62 or more after 30 years or more of service is not practical for the majority of those personnel recruited, trained, and employed in clandestine operations.

The average length of a career for personnel engaged in clandestine activity is also shortened by two other factors related to the work demands of overseas service: (a) the unusual significance of physical impairments and (b) the necessity for maintaining cover.

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B. Physical Impairments

Frequently, employees and dependents suffer minor chronic ailments or defects. These impairments, while non-disabling, often limit the mobility of the employee and are either disqualifying insofar as an overseas assignment is concerned or seriously affect the vitality and adaptability of an employee permitted to serve overseas.

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C. Cover

Operations officers overseas normally are required to perform under the cover of another government or private organization. In many cases, when this cover is revealed to unauthorized sources, the individual's usefulness to the Agency is seriously impaired, and therefore it is often in the interests of the Agency to shorten his career. Cover is also a limiting career factor in a second sense. Most cover positions, whether Governmental or commercial, are normally manned by younger personnel of the host organization. To use older officers for such assignments is thus often operationally unsound.

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D. Flexible Requirements

The constantly changing nature of clandestine intelligence operations produces changes in the types of personnel required. Shifts in the kinds of skills, experience, and mental and physical traits necessary to perform current assignments cannot always be met by concentrated retraining of personnel on duty, nor by normal attrition and hiring practices. The need frequently exists to release personnel who have thus become occupationally surplus to permit the input from time to time of those who qualify for new or changed programs. Early retirement would be one of various programs which encourage attrition at or

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before that point in an individual's career when he may be losing his drive, zest, health and tolerance for personal sacrifice. It is in the Government's interest for the Agency to maintain an unusually flexible work force due to its necessary inability to forecast accurately the specifics of its long-range personnel requirements.

E. Manpower Distribution

The need for a young work force in the Clandestine Services is thus established. However, manpower studies reveal that unless certain remedial action is taken, the Clandestine Services will be staffed by a predominantly older group of employees in 10 to 15 years from now. Therefore, steps must be taken to achieve an acceptable distribution of personnel by age groups and the Agency must be equipped with the legal and administrative authority needed to maintain such a distribution. An early retirement program is one method of achieving the desired result.

IV. Justification for Special Early Retirement Benefits - Category A

Recognizing that many of the employees whose "early retirement" is in the Agency's interest could be separated under the present Surplus Personnel Program, it is necessary to establish the necessity for granting special retirement benefits to such individuals.

A. Moral Obligation

That the group of employees serving in the clandestine operations under conditions as described above deserve special retirement consideration is almost self-evident. It is in the Agency's interest to separate certain employees who have lost usefulness by virtue of diminishing

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vitality, loss of cover, physical impairments, or the changing requirements of ~~clandestine activity~~ *overseas operate*. ~~These factors occur through no fault of the individual, and in fact are often caused by the nature of the assignments the Agency has imposed upon the individual. The result is, that an employee in the Clandestine Services can look forward to a span of career employment which is less than that of the average Government employee. The Government, therefore, has a moral obligation to provide such this individuals with compensating retirement benefits.~~ *who plan direct conduct of Secret O/S operation* *Should*

B. Inconveniences and Sacrifices

In addition to the justifications contained in paragraph III, above, there are other factors which do not necessarily limit the span of usefulness of an employee serving in clandestine operations, but which nevertheless involve inconveniences and sacrifices which deserve sympathetic consideration in determining employment benefits. These include the following: security limitations on freedom of expression and action; subjection to continuous scrutiny and some degree of invasion of personal privacy; cover restrictions which impinge on living habits and require some degree of continuous, conscious attention; a sense of dedication that will tolerate anonymity and the subordination of normal family and social life and of overt status expectations; limited opportunity to exercise choice concerning the location and nature of duty due to the practice of assignment by direction; and frequent job rotation requiring repeated adjustments to various job requirements and to changes in the area of close personal work relationships.

C. Problems in Converting to Other Employment

An employee who retires "early" generally cannot afford to live on his annuity alone and therefore is obliged to seek other employment to

supplement his retirement income. The nature and circumstances of Agency service, however, places him at a distinct disadvantage in making occupational transfers. Employment with CIA, particularly in the clandestine operations, frequently: (1) requires the acquisition and application of skills for which requirements in other Government or commercial fields of employment are either rare or nonexistent; (2) effectively prevents employees from studying, practicing, or otherwise developing or retaining proficiency in an established occupation or profession; and (3) prevents the individual, for reasons of operational cover or security, from describing or confirming to a prospective employer the scope and level of his duties and responsibilities. The "early retiree" through no fault of his own, is thus forced to make substantial and significant occupational readjustments and, at least initially, financial adjustments involving hardships to himself and his family. This is especially pertinent to persons who, during the predominant part of their service, have been trained for and assigned to intelligence, operations, or communications positions which are part of the overseas structure of the Agency's organization. In acquiring the skills and abilities which have made them valuable to the Agency, many employees now on duty have departed from the career fields for which they initially prepared or in which they were established when they entered the Agency.

Agency employees also find conversion to other Government employment more difficult because most lack civil service status. Further, finally, there is a general reluctance of both Government and private industry employers to hire former Agency personnel because they will not be convinced that the employee has severed all official ties with the Agency.

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D. A Recruitment and Retention Device

If it is agreed that the conditions of Agency service are so exacting and demanding that the Agency must encourage or require the establishment of a short career for certain individuals, then it follows that these individuals should receive sufficient benefits under an early retirement program to indemnify them for the loss of employment in their chosen career field.

If applicants for Agency employment are to be asked to enter into an occupational field in which a full career is to be or may very likely be denied, adequate inducements must be assured in compensation. Thus, the retirement indemnity should represent to the employee throughout his career a reasonable compensation for loss of employment after a relatively short span of career service and also sufficient financial security to permit orderly re-establishment in a new career field with a probable permanent reduction in earning power. The benefits of the early retirement program must be sufficient to maintain the reputation of the Agency as a desirable employer in a highly competitive employment market and they must be sufficient to impart a sense of employment security to those engaged in clandestine activities if we hope to maintain the attractiveness of this career field.

Early separation of career employees without adequate retirement compensation would clearly cause deep resentment in such individuals which would lead to unfavorable publicity among employment sources. Additionally, a sound retirement program resulting in the separation of "satisfied" employees would serve as a deterrent to security indiscretions.

Another by-product of an early retirement program, which would serve

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as both a recruitment and retention inducement, would be the opening up of positions in the middle and higher grades. Early retirements thus would provide an accelerated rate of advancement. The Agency will not be able to maintain its present level of clandestine operational activity unless steps are taken to provide for the annual recruitment of a substantial number of capable young officers and for their advancement at a reasonable pace. To be able to recruit these young officers, an equal number must be separated each year. To be able to promote them, a means must be found to effect such separations among personnel occupying medium and higher grades. Normal attrition will not accomplish this. Because the duration of an intelligence operations career is very likely to be shorter than in other occupations, the opportunity for advancement at reasonable intervals is vital to the Agency's ability to recruit and retain high caliber personnel on a career basis. An early retirement program will assist in attaining this desired goal.

Finally, an attractive retirement program in itself will serve as an incentive for career employees to remain with the Agency until eligible for such retirement rather than to seek other employment for reasons of personal and financial security at the zenith of their productivity and usefulness.

V. Justification for Early Retirement - Category B

Category A refers to a group of employees, those involved in the conduct or direct support of clandestine operations, for whom an early retirement program is particularly desirable. Early retirement is also desirable in certain individual cases, identified here as Category B, where clandestine service overseas is not necessarily an element, but where it is in the

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interest of the Government for the Director to have special retirement authority. These are cases in which the mission of CIA would be aided by the removal from office of any officer who is in a position to directly influence policy or operations, who performs a critical evaluative function, or who performs a key technical function.

It is desirable to separate officers in key Agency positions who, despite many years of valuable and devoted service, have for various reasons lost their spark, drive, creativeness, imagination, vitality, or perspective to such a degree that their retention makes them a liability rather than an asset. Also included in Category B would be officers who have responded well to past requirements but are unable to adjust and perform effectively under new programs or conditions of management. Retirement of such officers would be directed only in the event that their reassignment within the Agency is not practicable.

The critical mission which CIA performs dictates that it be staffed on a continuing basis with the highest caliber personnel in its key positions. CIA cannot afford the luxury of retaining in these positions faithful career servants who no longer are able to perform at full effectiveness.

VI. Justification for Special Early Retirement Benefits - Category B

If it is agreed that it is in the Agency's interest to separate key officials under circumstances as described above, we must still establish that these individuals are entitled to increased annuities under an early retirement program. The Director has the authority to separate these individuals without granting special retirement benefits, and the factors

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related to service overseas which serve to justify an early retirement program for officers in the Clandestine Services are not normally present in these Category B cases. Nevertheless, early retirement benefits are justifiable for a number of reasons.

In the first place, these individuals have served the Government long and faithfully in positions of importance. In a sense, they are being asked to retire because they have advanced to key positions in an organization having a critical mission to perform in the U. S. Government. Their early separation would not be necessary had they been able only to reach positions of lesser importance. Their conduct and performance is such that separation for cause would not be a proper action. Yet, their performance is below the level desired in key positions, so that it is in the interests of the Government to replace them with more able officers. The Director could declare them surplus, but retirement seems the more suitable course for individuals with 20 or more years of Government service in positions of responsibility.

Although these individuals may not have served for any length of time in clandestine activity overseas, nevertheless they have suffered many of the disadvantages peculiar to Agency service. These include the following problems in converting to other employment because of the nature of their Agency employment: possession of skills which are not easily transferable, limitations on describing duties and responsibilities to prospective employers, and lack of civil service status in most cases. The advantages of avoiding resentment in retired clandestine operations officers by granting adequate retirement compensation apply equally to individuals in this Category.

The moral obligation to provide an adequate retirement annuity to senior officials separated short of a normal career in the interests of the Government is no less than the obligation to provide similar compensation to operations officers.

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VII. Pertinent Facts

A. Precedent exists for early retirement systems for civilian Government employees whose working conditions are comparable in some respects to certain employees engaged in clandestine operations. This precedent is found in the Foreign Service Act of 1946 for Foreign Service Officers and in Section 691 (d) of Title V, USCA for persons engaged in the investigation and apprehension of criminals.

Career prospects measured in terms of conditions of retirement offered today by the Foreign Service, the military services and the investigative services of the Federal Government are generally superior to those offered by the Civil Service Retirement system to which employees of CIA belong.

Congress has recognized in the retirement programs of these other services that the specialized nature of the individual's training and experience during his career may affect adversely his ability to obtain other employment upon retirement.

The military services and the Foreign Service in certain cases permit and in other cases require early retirement as a means of keeping open the channels of advancement for junior officers.

These are the important general features of the various retirement programs of the Federal Government (the exceptions and refinements are omitted):

1. Foreign Service

a. Voluntary retirement at age 50 with 20 years of service and with the consent of the Secretary.

b. Mandatory retirement at age 60.

c. Annuities computed at 2% of the average "high-5" salary multiplied by the number of years of service not exceeding 35 years.

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- d. Employee contribution of $6\frac{1}{2}\%$ base pay.
- 2. Military Services
 - a. Voluntary retirement with 20 years of service regardless of age.
 - b. Mandatory retirement at age 60.
 - c. Annuities computed at $2\frac{1}{2}\%$ of base pay at time of retirement multiplied by the number of years of service; maximum annuity not to exceed 75% of base pay.
 - d. No employee contribution.
- 3. Investigative Employees
 - a. Voluntary retirement at age 50 with 20 years of investigative service and with approval of agency head and the CSC.
 - b. Mandatory retirement at age 70 for those with 15 or more years service.
 - c. Annuities computed at 2% of the average "high-5" salary multiplied by the number of years of service; maximum annuity not to exceed 80% of the "high-5" average salary.
 - d. Employee contribution of $6\frac{1}{2}\%$ base pay.
- 4. Civil Service Retirement System
 - a. Voluntary retirement at
 - (1) age 62 with 5 years service.
 - (2) age 60 with 30 years service.
 - (3) age 55 with 30 years service, but with actuarial reduction.
 - b. Mandatory retirement at age 70 for those with 15 or more years service.
 - c. Annuities computed by taking $1\frac{1}{2}\%$ of the average "high-5"

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salary multiplied by 5 years of service; adding $1\frac{3}{4}\%$ of the same "high-5" multiplied by the years of service between 5 and 10; and adding 2% of the same "high-5" multiplied by all service over 10 years; maximum annuity not to exceed 80% of the "high-5" average salary.

d. Employee contribution of $6\frac{1}{2}\%$ base pay.

B. The Director does not have the legal authority to remove CIA employees from the Civil Service Retirement System. Such action would require prior legislative approval.

C. The Agency presented an early retirement proposal for consideration by the White House, the Bureau of the Budget and the Civil Service Commission in 1957. This proposal provided for the granting of extra service credits for years served abroad, a provision rejected as undesirable by the then Chairman of the Civil Service Commission, Harris Ellsworth, who indicated, however, that the Commission would not object to a proposal along these lines: voluntary retirement at age 50 with 20 years Federal service, of which not less than 10 years covers civilian service in foreign areas, including 5 years overseas service for CIA, and authorizing retirement at full annuity computed at the 2% rate, subject to approval by the Director. This has become known as the "Ellsworth Formula."

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D. In 1958, the Actuaries, drafted an actuarial study on an Agency early retirement plan providing for voluntary retirement at age 50 with 20 years Federal service, 10 years Agency service, 10 years overseas service, and 5 years Agency overseas service at full annuity computed at the 2% rate. No affirmative action based upon the results of this draft has been taken.

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E. In 1960 the Agency obtained approval of the Executive Branch and the concurrence of appropriate congressional committees for specific administrative procedures by which the Director may separate personnel who become surplus to Agency needs through no fault of their own and to pay separation compensation to these individuals under certain circumstances.

F. Congress has been unreceptive to relatively recent attempts by civilian agencies to obtain legislation for retirement annuity computation at a rate greater than 2% for special retirement consideration as a reward for overseas service of a particular type.

G. There are about 300 different retirement proposals pending before Congress, among which are several bills to amend the Civil Service Retirement Act so as to provide for retirement on full annuity at age 55 after 30 years of service.

VIII. Pertinent Assumptions

A. An early retirement program cannot be justified for CIA personnel on the basis of CIA employment alone. The conditions of employment of most individuals serving in DD/I and DD/S components are not so unusual within Government as to warrant special retirement benefit considerations.

B. The mission of the Clandestine Services is unique within the Government. Their organizational and personnel problems are unlike those of other Government agencies. Although similar to the Foreign Service, military services, and investigative services in certain respects, the differences are of such significance to merit a special retirement program tailored to their own requirements and problems.

C. The present climate of thinking within Congress and the White House regarding the subject of retirement and its varied implications (attitudes

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and policies toward older employees, soundness of retirement fund, relation to pending personnel legislation, etc.) is not known to preclude presenting an early retirement plan for CIA at this time.

D. The provisions of the Civil Service Retirement system and of the Agency program for the separation of surplus personnel provide equitable benefits to employees who must be separated through no fault of their own but who do not qualify for inclusion in early retirement Categories A or B, as defined in paragraph II, above.

E. The presentation of any proposal for early retirement legislation for CIA must take account of the previous proposal which the Agency has presented and of established procedures for the separation of surplus personnel. It must also be geared to the current political climate.

F. The Agency will continue the policy of retaining an individual who is within 2 years of eligibility for optional or discontinued service retirement until he attains such eligibility as long as he can be usefully assigned. This same policy would be extended to those employees within two years of eligibility under an early retirement program.

G. The provisions of any early retirement program should be so drafted that such a program is not regarded as a benefit in itself which employees would normally seek; instead, the benefits should be regarded as providing no more than equitable compensation for those whose separation is effected primarily in the Government's interest.

H. An early retirement program which provides special benefits for employees serving in the clandestine operations and for certain key officials is not to be regarded as a cure-all for such problems as separating surplus personnel, opening advancement opportunities for junior personnel, or providing adequate benefits to those exposed to the hardships, inconveniences and restrictions of a career in clandestine activity. An early

retirement program would serve, however, as a personnel management device supplementing such programs and policies as:

1. The statutory power of the Director under the authority of section 102 (c) of the National Security Act of 1947 to terminate the employment of any Agency employee for cause [redacted]

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2. The separation of surplus personnel [redacted] with appropriate separation compensation [redacted]

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3. Career Redirection within CIA in order to make more effective use of manpower on hand. In the case of older employees, reassignment to less active positions which will utilize the depth and breadth of past experience.

4. An active out-placement service to assist in external career direction for employees who are resigning.

5. Adequate compensation and allowances during employment for hazardous duty, assignment to unhealthful or otherwise undesirable posts, and for the expenses and inconvenience of frequent rotation between headquarters and overseas.

IX. Specific Criteria For Eligibility - Category A

An early retirement program for certain personnel whose careers have involved the conduct or direct support of clandestine operations is proposed as follows:

A. Voluntary retirement at age 50 with 20 years of Federal service, certain CIA service requirements as described below, and with the approval of the Director:

<u>Year of Retirement</u>	<u>Years of Federal Service</u>	<u>Years of CIA Service*</u>	<u>Years of CIA Service Overseas</u>
1962	20	10	5
1963	20	11	5
1964	20	12	6
1965	20	13	6
1966	20	14	7
1967	20	15	7
1968	20	16	8
1969	20	17	8
1970	20	18	9
1971	20	19	9
1972 and forward	20	20	10

* For the purpose of this program, CIA service cannot be considered to have begun prior to 18 September 1947.

B. Mandatory retirement at age 60, with special provisions for exceptions by the Director for certain key officials.

C. Annuities computed at 2% of the average "high-5" salary multiplied by the number of years of Federal service; maximum annuity not to exceed 80% of the "high-5" average salary.

D. Continued employee contribution at rate of $6\frac{1}{2}\%$ of base pay.

X. Discussion and Justification of Eligibility Criteria - Category A

A. Voluntary Nature. A choice exists between establishing a program in which individual requests for early retirement require approval by the Director case by case from one in which early retirement is generally automatic on the attainment of eligibility. In the latter case, the Director might approve individual requests for extensions of employment as exceptions to the general rule. If it is desirable that most employees retire on attaining eligibility, the latter program has merit. On the other hand, if it is desirable that only those who are considered to have lost their usefulness be separated, the program should require the Director's approval of individual applications for retirement.

The question then arises regarding the means of separating an employee

who should be separated in the interest of the Government, has met the minimum eligibility requirements for early retirement, yet refuses to volunteer for separation. The answer is that if the number of persons not desiring to retire becomes a problem of manpower imbalance, Separation of Surplus Personnel, would be invoked.

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A system which combines voluntary early retirement with the Director's approval and a means to encourage certain individuals to volunteer provides a better tool for manpower control than a system which expects or requires most employees to retire when they become eligible.

The proposed early retirement program gives the Director the flexibility to (1) encourage one officer to retire voluntarily or (2) decline to approve the request for early retirement by another officer whose continued services are required. (As shall be discussed later, this latter officer does not thereby lose entitlement to the more favorable annuity computation of an early retirement program.)

B. Age 50. There is general agreement within the Agency that 50 years of age is an appropriate minimum requirement for early retirement of the group of employees who are engaged in the conduct or direct support of clandestine operations. This age limit has precedent in the retirement plans of Foreign Service officers and of investigative employees. There is no evidence that a lower age minimum is either needed or desired, and a much higher age minimum would tend to make an early retirement program relatively insignificant in comparison with the present Civil Service Retirement system.

C. Years of Service. There is general agreement that a retirement program based upon less than 20 years of service at age 50 cannot be supported, either on an actuarial basis or from the viewpoint of those annuitants who must rely on their retirement annuity as their major source of income. On

the other hand, by raising the minimum service requirement above 20 years an early retirement program would less effectively achieve a basic purpose: the maintenance of a young work force in the Clandestine Services. Precedent is established for a 20 year minimum service requirement in the retirement plans of the Foreign Service, the military services, and for investigative employees.

If there is agreement on a 20 year service minimum, a determination then must be made regarding how much of this service should be CIA service. It should be noted that the Foreign Service (1) requires only 5 years of creditable service for which full contributions have been made to the Foreign Service Reserve and Disability fund and (2) credits Federal civilian service prior to appointment as a Foreign Service officer; that the military services credit only that service which is military; and that the investigative services require at least 20 years of the total Federal service to be spent in law-enforcement duties.

The justification presented in paragraphs III and IV, above, for an early retirement program for employees in the Clandestine Services is in itself an argument in favor of establishing a minimum requirement of 20 years CIA service. The factors of physical and mental work demands, the inconveniences and sacrifices attendant upon clandestine activities, and the problems in converting to other employment are valid reasons supporting a special retirement program only for those employees whose major career has been with CIA. It would be difficult to defend special retirement benefits for those employees who, for example, have spent only a few of their most recent working years with the Agency.

Establishing a 20 year CIA service requirement at this time, however,

would make an early retirement program non-operative for the next five years, and only slightly effective for the following five years. It is believed necessary to define CIA service as beginning on 18 September 1947 in order to avoid the vagaries in attempting to assess creditable service in predecessor civilian and military intelligence organizations. Therefore, so that an early retirement program will serve as an immediate tool for manpower control, a gradual increase in the minimum CIA service requirement from 10 years in 1962 to 20 years in 1972 is proposed. This formula would provide immediate early retirement eligibility for a number of employees who entered on duty from the date of the Agency's birth through the period of heavy recruitment in the early 1950's.

D. Years of Overseas Service. The requirement of overseas service for retirement eligibility has two aspects which are not entirely compatible with one another. There is on the one hand evidence of a lack of receptiveness by Congress and elements in the Executive Branch to special retirement consideration for overseas service with a particular Agency. On the other hand, within this Agency, the employees for whom early retirement coverage is considered desirable are those most easily identified by their overseas service.

The Committee on Retirement Policy for Federal Personnel during the Eisenhower administration cautioned against granting discriminatory rewards for overseas service of a particular type. The Chairman of the Civil Service Commission in 1957, commenting on a CIA proposal for extra retirement credit for overseas service, stated that he saw no reason why the earlier retirement right should be allowed persons working overseas for a particular Government agency when other Federal employees serving overseas under

similar handicaps do not enjoy this special privilege. In recent years, bills calling for an "Overseas Career Employee" retirement formula for 10 or more years of foreign service and one for a $2\frac{1}{2}\%$ annuity credit for overseas service died in Congressional committees. There is also a growing belief and acceptance among many learned observers of the American overseas that overseas service in general today is a benefit in itself rather than a sacrifice. This conclusion leads to difficulty in supporting any additional fringe benefits related to overseas service.

Two corollary conclusions follow from the above. First, the basis for justification of an early retirement program cannot stem from overseas service per se. Instead CIA's case must be presented on the basis of the nature and implications of certain kinds of activity peculiar to CIA, which coincidentally are predominantly carried on overseas. Second, it would be difficult to justify a formula which would credit for retirement purposes overseas service other than with CIA.

Completion of 10 years CIA service overseas out of a minimum of 20 years CIA service is proposed as a means of identifying an individual as a member of the basic group entitled to the increased benefits of an early retirement program. Because most of the reasons supporting an early retirement program are related to overseas service, it is felt that special benefits cannot be supported for those who spend less than approximately one half of their CIA service overseas. The rotation practice of the Clandestine Services further supports the conclusion that a 10 year minimum is a practical one. Again, for essentially the same reasons which favor a graduated scale for years of CIA service from 1962 until 1972, an overseas service scale at approximately the same rate is proposed.

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Identification of this group by a minimum overseas service requirement is considered the only method which is both objective and practical in an organization which does not have a pre-defined corps of foreign service officer personnel.

An alternative method to using the fixed criteria of overseas service in order to identify personnel eligible for early retirement would be to evaluate all of the factors which justify an early retirement program for the Clandestine Services (overseas service, hardship posts, loss of vitality and adaptability, physical impairments, acute cover problems, loss of skills for other employment, etc.) and determine on an individual basis who qualifies. This system would have the advantage of extending the benefits of early retirement to only those particular employees who are considered truly to merit these benefits and would exclude those employees who may have served overseas for 10 years but who have not actually suffered significant hardships or inconveniences. In other words, the employees would not only have to meet the age and length of service requirements but also be found in fact to have met the conditions which justify the special provisions of the program.

Although a system which attempts to determine whether certain conditions of a subjective nature have been met prior to granting retirement eligibility has merit, its disadvantages appear to outweigh its advantages. Specific eligibility criteria simplifies administration of the program and permits employees to plan ahead for retirement. Inevitably, the establishment of any such criteria will make it appear that some "deserving" individuals are excluded while some "undeserving" individuals are made eligible for special benefits. Nonetheless, any deviation from the application of such criteria in an attempt to judge selected cases on their individual merit would invite administrative chaos.

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E. Crediting Non-Staff Employment. If it is agreed that an early retirement plan formula will include length of CIA service and CIA service overseas criteria, then determinations must be made whether to include or exclude employment with CIA in such categories as military detail, contract employee, contract agent, and career agent.

F. Mandatory Retirement. If an early retirement program lowers the voluntary retirement age from age 60 (under the present Civil Service Retirement system) to age 50, then it follows that a lowering of the mandatory retirement age is justified and reasonable. If a primary purpose of an early retirement program is to maintain a younger work force, this will be further accomplished by reducing the mandatory age requirement from 70 to 60.

It should be noted that the mandatory retirement age for the Foreign Service and the military services is 60 and that for investigative employees it is the same as under the Civil Service Retirement system, age 70. In each of these systems there are refinements and exceptions permitted in certain types of cases. It is suggested that the Director seek the authority to except from the mandatory retirement provision any employee when in his judgment such action is in the best interests of the U. S.

G. Annuity. Once an individual attains eligibility for the more liberal annuity of an early retirement program by meeting the age, length of service, and length of overseas service requirements, this eligibility should not be lost, even though the individual is not retired as soon as he reaches eligibility. Retirement policy should not penalize an individual who has earned special early retirement benefits but who remains on extended duty in the Agency's interest.

An annuity computation formula more generous than is provided under the

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Civil Service Retirement Act is justified in order to make the earlier retirement (with resultant short service) more economically possible. The benefits under an early retirement program should be equitable for service rendered, yet should not be so attractive that employees who should be retained will want to retire. The benefits must be properly balanced with the objectives of the program. Problems are invited if the benefits are either too small or too great.

It is believed that an early retirement program as outlined in this study for employees in clandestine operations will not result in most individuals wanting to retire as soon as they meet the eligibility criteria. In every case the reduction of total years of creditable service through early retirement will reduce an individual's annuity by a substantial amount which can be only slightly offset by an increased annuity rate. The most an early retirement program offers to the employee is a slightly greater annuity at a particular age than he would receive at the same age under the Civil Service Retirement system.

An annuity rate of 2% without reduction for years under age 60 is proposed as the highest rate which the Executive Branch and Congress could be expected to approve for a civilian agency. There is evidence that attempts by other organizations and groups to increase this rate have failed. The general 2% annuity rate maximum is related to the costs of a retirement program, and it is unlikely that a more favorable annuity formula could be approved without an increase in contributions. Annuities for the Foreign Service and investigative employees are computed on a straight 2% basis. The military services rate is $2\frac{1}{2}\%$, but of a base pay which does not include the housing and subsistence allowances.

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XI. Specific Criteria for Eligibility - Category B

An early retirement program for certain personnel who either are in positions which directly influence policy or operations, perform critical evaluation functions, or perform key technical functions is proposed as follows:

1. Involuntary retirement at the discretion of the Director at age 50 with 20 years of Federal service or at any age with 25 years of Federal service.
2. Annuities computed at 2% of the average "high-5" salary multiplied by the number of years of Federal service; maximum annuity not to exceed 80% of the "high-5" average salary.
3. Continued employee contribution of $6\frac{1}{2}\%$ of base pay.

XII. Discussion and Justification of Eligibility Criteria - Category B

A. Involuntary Nature. Early retirement under Category B is not earned in the sense that it is earned by Category A personnel. Neither is it the type that can be pre-determined or planned for in advance by the individuals concerned. It would be used in the very limited number of cases in which the Director determines that a key official should be separated in the Government's interest and deserves special retirement benefits as a result of past contributions. Category B retirement cannot be applied for and there are no fixed internal criteria to be met.

B. Age and Length of Service. The reasons for early retirement under Category B are not necessarily related to CIA service overseas, career tenure with CIA, the maintenance of a young work force, or other factors of primary significance in Category A. Separating a particular person from a particular position and giving him equitable retirement benefits is the fundamental purpose for including a Category B under an early retirement program. Although

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the Director will exercise his option under Category B in a very limited number of instances, this authority should extend over as large a group of personnel as possible in order that it serve its purpose effectively. Therefore, the only limiting specific criteria proposed are the minimum age and service requirements which would provide for a reasonable retirement annuity: 50 years of age with 20 years of Federal service or 25 years of Federal service regardless of age. This formula combines various features of other Federal retirement programs to give the Director the widest possible latitude in separating in the Government's interest key employees with equity.

C. Annuity. An annuity rate of 2% without reduction for years under age 60 is proposed for essentially the same reasons as already cited in paragraph X-G, above. However, under Category B, an individual would only become entitled to this formula when his retirement is so ordered by the Director, The question of whether eligibility for a special annuity once attained should ever be lost would never arise under the Category B concept. A special annuity benefit never becomes a matter of right. It accrues to the individual only after the fact of a separation determination made by the Director.

D. Notice. Although early retirement under Category B lacks fixed internal criteria and thus cannot generally be pre-determined or planned for by the individual, it is recommended that reasonable notice be given to an employee so that he may plan adequately for the future. Formal notification not less than one year nor more than two years in advance of separation is suggested.

E. Relation to Civil Service Retirement System. It is proposed that the early retirement benefits under Category B not be extended to individuals

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who qualify for optional retirement (age 60 with 30 years of service; or between ages 55 and 60 with 30 years of service, but on a reduced annuity) under the present Civil Service Retirement system. For employees having the length of service to meet these criteria the Civil Service system is believed to provide an equitable annuity.

F. Number Limitation. In view of the wide latitude of retirement authority with which the Director would be invested under Category B, a limitation on the number of employees the Director may separate annually under this Category may be necessary in order to gain approval of the program from the Executive Branch and Congress.

XIII. Legislation and Financing

A. CIA Retirement Act vs. Amendment to Civil Service Retirement Act.

A determination must be made whether a special retirement program for CIA should be part of the present Civil Service Retirement system, controlled and administered by the Civil Service Commission in the way the Commission handles retirement for employees of investigative agencies, or whether it should be separate and administered by the Agency in the way the Department of State handles the Foreign Service Retirement system. A CIA retirement act would allow for the internal administration of the system without reference to the authority or review of the Civil Service Commission. An amendment to the Civil Service Retirement Act, on the other hand, would take advantage of the existing framework which could be modified only to the extent the Agency desired. The individual mechanics of such items as "annuities to survivors", "return of deposits", "reduced annuities" would not have to be spelled out as they would if an entire retirement system were

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adopted. The advantages of an amendment to the Civil Service Retirement Act appear to outweigh those of a CIA retirement act principally on the basis of simplicity of application.

B. Director's Power. Basic to any proposal for new legislation which would affect CIA must be the consideration of whether or not the new legislation might in any way restrict the existing authority of the DCI. Caution must be exercised to assure that what appears to be a gain in benefits to CIA employees does not result in an encumbrance on the Director's powers.

C. Absorbing Program Costs. Two approaches could be followed regarding the absorption of the extra costs to the Government of an early retirement program for CIA. One approach would be to soft-pedal the costs of such a program and presume in drafted legislation that the costs will continue to come out of the regular Civil Service retirement fund, as is the case with respect to the special retirement provisions for investigative employees. A second approach would be to volunteer to pay out of current Agency appropriations a certain aggregate sum each year which would actuarially represent the additional cost to the retirement fund of the early retirements planned for that Fiscal Year. The sum for each annuitant would be actuarially computed to reflect his life expectancy and the number of years of service by which the individual was preceding his normal optional retirement time. This approach probably would be saleable but would subject the retirement program to an annual review by the Bureau of the Budget and by Congress as a part of the annual appropriations review. This element of fiscal control, however, is a reasonable and justifiable price to pay, if necessary, for a CIA early retirement program with attractiveness as a recruitment and retention device.

D. Specific Legislation. It is proposed that we attempt to obtain as

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broad legislation as possible in order that the Director have the greatest degree of flexibility in administering the program in accordance with the needs of the Agency. We must justify our need for early retirement in detail, but should attempt to avoid committing ourselves to fixed criteria.

It is recommended, therefore, that we ask for legislation which would permit the Director to retire selected employees either at age 50 with 20 years of Federal service or with 25 years of Federal service regardless of age and give them a 2% annuity rate without reduction for years of age under 60. In consideration of this broad authority, the Director would agree to submit on a periodic basis the details of internal administration of the early retirement program to the appropriate Congressional committees.

Before any early retirement program proposal is presented to the Director for his consideration and approval, it is expected that our Legislative Counsel will have made at least a tentative determination that such a proposal stands a chance of gaining Congressional acceptance. The desirability of any plan must, of course, be related to its practicability in terms of winning the necessary concurrences. We must attempt to assess what is possible, and then decide if it is worth going after.